

Calculating Cohort Default Rates

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Calculating Cohort Default Rates

34 CFR 668.182

34 CFR 668.183

What is a cohort default rate?

For schools having 30 or more borrowers entering repayment in a fiscal year, the school's cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loans (FFELs) and/or William D. Ford Federal Direct Loans (Direct Loans) during that fiscal year and default (or meet other specified conditions) within the cohort default period. For schools with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate data includes borrowers entering repayment over a three-year period.

The phrase "cohort default period" refers to the two-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year. This is the period during which a borrower's default affects the school's cohort default rate.

Cohort default rates are based on federal fiscal years. Federal fiscal years begin on October 1 of a calendar year and end on September 30 of the following calendar year. Each federal fiscal year refers to the calendar year in which it ends.

The phrase "cohort fiscal year" refers to the fiscal year for which the cohort default rate is calculated. For example, when calculating the 1999 cohort default rate, the cohort fiscal year is FY 1999 (October 1, 1998 to September 30, 1999).

The phrase "other specified conditions" refers to two different situations. The first relates to borrowers who obtain Direct Loans to attend non-degree-granting proprietary schools. In addition to the other criteria for default, a borrower who receives a Direct Loan to attend a non-degree-granting proprietary school is also considered in default for the purpose of calculating that school's cohort default rate if, during the cohort default period in question, the borrower is in repayment for 360 days under the income contingent repayment (ICR) plan with scheduled payments that are

- ❖ less than 15 dollars per month and
- ❖ less than the interest accruing on the loan.

The second situation occurs when, before the end of the cohort default period, the school's owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment to prevent

a borrower's default on a loan that entered repayment during the cohort fiscal year. In such a situation, the borrower is considered in default for cohort default rate purposes. For the purposes of this Guide, the phrase "other specified conditions" will always refer to these situations.

Which types of loans are included in the cohort default rate calculation?

The FFELs included in the cohort default rate calculation are

- ❖ subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans (collectively referred to as Federal Stafford Loans) and
- ❖ Federal Supplemental Loans for Students (Federal SLS loans).

Federal SLS loans have not been made since July 1, 1994. However, it is possible for a Federal SLS loan to be included in a current cohort default rate calculation under certain circumstances.

The Direct Loans included in the cohort default rate calculation are

- ❖ Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Ford Loans (collectively referred to as Direct Stafford/Ford Loans).

The following loans are not included in the cohort default rate calculation:

- ❖ Federal PLUS Loans;
- ❖ Federal Direct PLUS Loans;
- ❖ Federal Insured Student Loans (FISLs); and
- ❖ Federal Perkins Loans. (Please note that Federal Perkins Loans have separate cohort default rate calculations.)

Federal Consolidation Loans and Federal Direct Consolidation Loans are not directly included in the cohort default rate calculation. However, the status of a consolidation loan may affect the cohort default rate calculation. Please refer to the section of this chapter entitled, “How do consolidation loans affect the numerator of the cohort default rate calculation?” for more information on how consolidation loans may affect the cohort default rate calculation.

When are cohort default rates sent to schools?

The U.S. Department of Education (the Department) calculates cohort default rates twice each year. Generally, the Department sends draft cohort default rates to schools in January or February. After schools receive their draft cohort default rate data, schools are provided an opportunity to identify and correct any inaccuracies by submitting an incorrect data challenge. The Department then calculates and releases the official cohort default rates. Official cohort default rates are generally released to schools and the public approximately six months after the release of the draft cohort default rates. However, the official cohort default rates must be released no later than September 30th each year.

Who receives cohort default rates?

The Department provides draft cohort default rates only to schools and does not release them to the public. The Department sends draft cohort default rates to all schools that the Department’s records indicate

- ❖ are eligible to participate in any of the Title IV programs and
- ❖ have borrowers that entered repayment on FFELs or Direct Loans during the current or prior two cohort fiscal years.

When the Department provides a school with a draft cohort default rate, the school will also receive any new supplements to this Guide, as well as the cohort fiscal year loan record detail report listing all of the borrowers included in the school’s draft cohort default rate calculation.

***The Department
calculates cohort
default rates
twice each year***

The Department provides official cohort default rates to schools and also makes them available to the public. The Department releases official cohort default rates for all schools that the Department's records indicate

- ❖ are eligible to participate in any of the Title IV programs and
- ❖ have borrowers that entered repayment on FFELs or Direct Loans during the current or prior two cohort fiscal years.

When the Department provides a school with an official cohort default rate, the school will also receive any new supplements to this Guide. If the school's official cohort default rate is 10.0 percent or greater, the Department will provide the school with a loan record detail report listing all the borrowers included in the official cohort default rate calculation. If a school is subject to sanction because of three consecutive years of a cohort default rate that is 25.0 percent or greater, the school will receive loan record detail reports for the current and prior two cohort fiscal years. Similarly, if a school's official cohort default rate is an average rate, it will receive loan record detail reports for the current and prior two cohort fiscal years.

A school may also request an electronic copy of the loan record detail report for the draft or official cohort default rates. See Chapter 2.3, "Loan Record Detail Report," for information on requesting an electronic copy.

Official cohort default rate information for schools, guaranty agencies, and lenders will also be available through the National Student Loan Data System (NSLDS). At the time of publication of this Guide, the NSLDS cohort default rate list screens were still under development. Default Management will create a "General Information Tools: Cohort Default Rate List" supplement for this Guide once these lists are in final form. This supplement will be mailed to schools and data managers and will be available at

<http://www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html>

The instructions will eventually be in Chapter 2.6, "General Information Tools."

The public can request a listing of all of the official cohort default rates in the form of a press package. The press package also contains a listing of those schools that are subject to sanction as a result of high official cohort default rates. For a copy of the most recent press package, call 1-202-708-9396 or visit the Department's website at

<http://sfa4schools.sfa.ed.gov>

or

<http://www.ifap.ed.gov>

What are the consequences of cohort default rates?

Official cohort default rates are important because they may affect a school's eligibility to participate in the Title IV programs administered by the Department.

In addition, a school with low cohort default rates may be eligible for certain benefits. Some schools with low official cohort default rates may be exempt from certain loan disbursement requirements. It is important to note that some of these benefits are scheduled to expire on September 30, 2002. For more information on the benefits associated with low cohort default rates, see Chapter 2.2, "Cohort Default Rate Effects."

Draft cohort default rates are important because the data used to calculate the draft cohort default rate forms the basis of a school's official cohort default rate. Although there are no sanctions or benefits associated with a school's draft cohort default rate, it is important for schools to review the data used to calculate the draft cohort default rate. A school that fails to challenge the accuracy of the data used to calculate its draft cohort default rate through an incorrect data challenge may not challenge the accuracy of that same data when it receives its official cohort default rate.

In addition, in certain circumstances a school may be able to avoid sanctions associated with its official cohort default rate by submitting a successful participation rate index challenge based on its draft cohort default rate. The school should review its enrollment data in relation to its draft cohort default rate to determine if it is eligible to submit a participation rate index challenge.

For more information on the importance of cohort default rates, see Chapter 2.2, "Cohort Default Rate Effects." For more information on challenges, adjustments, and appeals, see Chapter 3.1, "School Strategies," and Part IV, "Challenges, Adjustments, and Appeals."

Official cohort default rates may affect a school's eligibility to participate in the Title IV programs administered by the Department

Cohort Fiscal Year	Borrowers in the Numerator Borrowers in the Denominator	Time Period (Numerator) Time Period (Denominator)
1999	<u>Borrowers who entered repayment in 1999 and defaulted in 1999 or 2000</u> Borrowers who entered repayment in 1999	<u>10/01/1998 to 09/30/2000</u> 10/01/1998 to 09/30/1999
2000	<u>Borrowers who entered repayment in 2000 and defaulted in 2000 or 2001</u> Borrowers who entered repayment in 2000	<u>10/01/1999 to 09/30/2001</u> 10/01/1999 to 09/30/2000
2001	<u>Borrowers who entered repayment in 2001 and defaulted in 2001 or 2002</u> Borrowers who entered repayment in 2001	<u>10/01/2000 to 09/30/2002</u> 10/01/2000 to 09/30/2001
2002	<u>Borrowers who entered repayment in 2002 and defaulted in 2002 or 2003</u> Borrowers who entered repayment in 2002	<u>10/01/2001 to 09/30/2003</u> 10/01/2001 to 09/30/2002
2003	<u>Borrowers who entered repayment in 2003 and defaulted in 2003 or 2004</u> Borrowers who entered repayment in 2003	<u>10/01/2002 to 09/30/2004</u> 10/01/2002 to 09/30/2003
2004	<u>Borrowers who entered repayment in 2004 and defaulted in 2004 or 2005</u> Borrowers who entered repayment in 2004	<u>10/01/2003 to 09/30/2005</u> 10/01/2003 to 09/30/2004
2005	<u>Borrowers who entered repayment in 2005 and defaulted in 2005 or 2006</u> Borrowers who entered repayment in 2005	<u>10/01/2004 to 09/30/2006</u> 10/01/2004 to 09/30/2005

Figure 2.1.1

Time Frames for Cohort Default Rates

What are the time frames for cohort default rates?

Figure 2.1.1 outlines the time frames used when calculating cohort default rates for schools with 30 or more borrowers in repayment for the cohort fiscal years 1999 through 2005. This chart does not address average cohort default rates for schools with less than 30 borrowers in repayment. The first column in the table shows the cohort fiscal year. The second column shows the borrowers included in the cohort default rate calculation for that cohort fiscal year. Borrowers in the denominator are those who entered repayment during the time period in column three. Borrowers in the numerator are those who entered repayment and who defaulted or met other specified conditions during the time period listed in column three. The third column shows the time periods used for the numerator and the denominator listed in the second column.

In a mathematical formula, the numerator is always listed first and the denominator listed second; the mathematical formulas in this Guide will be written this way. However, in the text of this Guide the denominator will always be discussed before the numerator is discussed. This is because the numerator is a subset of the denominator in all of the formulas contained in this Guide.

How does the Department calculate a school's cohort default rate?

The formula the Department uses for calculating a school's cohort default rate depends on the number of borrowers from that school entering repayment in a particular cohort fiscal year and the number of cohort default rates previously calculated for the school.

Note that cohort default rates are based on the number of borrowers who enter repayment, not the number and type of loans that enter repayment. A borrower with multiple loans from the same school whose loans enter repayment during the same cohort fiscal year will be included in the formula only once for that cohort fiscal year.

The two types of formulas used to calculate a school's cohort default rate are the Non-Average Rate Formula and the Average Rate Formula. For each of these formulas, the cohort default rate is obtained by dividing the numerator by the denominator and then expressing the result as a percentage. The number of borrowers included in the numerator and the denominator vary, however, depending on the type of formula used.

Non-Average Rate Formula

Non-Average Rate Formula: The Non-Average Rate Formula is used for a school with 30 or more borrowers entering repayment during a cohort fiscal year.

Non-Average Rate Calculation: For this calculation, the denominator is the number of borrowers who entered repayment in the cohort fiscal year; the numerator is the number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met other specified conditions in the cohort default period.

$$\boxed{\text{Number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met other specified conditions in the cohort default period}} \div \boxed{\text{Number of borrowers who entered repayment in the cohort fiscal year}} = \boxed{\text{Cohort Default Rate}}$$

Non-Average Rate Example: School A, a degree-granting school, had 90 borrowers enter repayment in the cohort fiscal year (denominator). Of those, 8 borrowers defaulted in the cohort default period (numerator). School A's cohort default rate is calculated by dividing 8 by 90 ($8 \div 90 = 0.088$) and expressing the result (0.088) as a percentage to produce a non-average cohort default rate of 8.8 percent ($0.088 \times 100 = 8.8$).

$$8 \text{ borrowers defaulted} \div 90 \text{ total borrowers in repayment} = 8.8 \text{ percent cohort default rate}$$

Average Rate Formula

Average Rate Formula: The Average Rate Formula is used to calculate the official cohort default rate for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if that school had a cohort default rate calculated for the two previous cohort fiscal years.

Average Rate Calculation: The denominator for the average cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years. The numerator for the average cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years and who defaulted or met other specified conditions in the cohort default period for the cohort fiscal year in which they entered repayment.

$$\frac{\text{Number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years and who defaulted or met other specified conditions in the cohort default period for the cohort fiscal year in which they entered repayment}}{\text{Number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years}} = \text{Cohort Default Rate}$$

Average Rate Example: School B, a degree-granting school, certified loans for the following students: 29 borrowers who entered repayment in the cohort fiscal year (of whom 2 defaulted in that cohort default period), 44 borrowers who entered repayment in the fiscal year immediately preceding the cohort fiscal year (of whom 7 defaulted in the associated cohort default period), and 50 borrowers who entered repayment in the fiscal year two years prior to the cohort fiscal year (of whom 3 defaulted in the associated cohort default period). The 123 borrowers ($29 + 44 + 50 = 123$) who entered repayment in these three fiscal years constitute the denominator. The numerator consists of the 12 borrowers ($2 + 7 + 3 = 12$) who defaulted in the relevant cohort default periods. School B's cohort default rate is calculated by dividing 12 by 123 ($12 \div 123 = 0.097$) and expressing the result (0.097) as a percentage to produce an average cohort default rate of 9.7 percent ($0.097 \times 100 = 9.7$).

$$\frac{12 \text{ borrowers defaulted}}{123 \text{ total borrowers in repayment}} = 9.7 \text{ percent cohort default rate}$$

Which formula does the Department use to calculate a school's draft cohort default rate?

The Department always uses the non-average rate formula for calculating a school's draft cohort default rate. The draft cohort default rate is based only on a school's current cohort fiscal year data (the number of borrowers from that school entering repayment in a particular cohort fiscal year and the number of borrowers defaulting or meeting other specified conditions during the associated cohort default period). Therefore, schools with 29 or fewer borrowers entering repayment cannot use the draft cohort default rate to anticipate their official cohort default rate. Schools with 29 or fewer borrowers entering repayment must perform a manual calculation using the average rate formula to anticipate their official cohort default rate.

Which formula does the Department use to calculate a school's official cohort default rate?

The Department uses the non-average rate formula and the average rate formula to calculate a school's official cohort default rate, depending on the number of borrowers entering repayment.

What is an unofficial cohort default rate?

An official cohort default rate cannot be calculated for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if the school did not have an official or unofficial cohort default rate calculated for either or both of the two previous cohort fiscal years. Such a school will have an unofficial cohort default rate calculated using the non-average formula and current year data. An unofficial cohort default rate does not meet the statutory definition of a cohort default rate. Therefore, it cannot be used to determine sanctions or benefits.

How does the Department determine which loans are placed in the denominator of the cohort default rate calculation?

Borrowers are included in the denominator of the cohort default rate calculation based on when their loans entered repayment. Except for an average cohort default rate calculation, borrowers included in the denominator of a cohort default rate calculation are the borrowers with relevant loans that entered repayment during that cohort fiscal year. Borrowers included in the denominator of an average cohort default rate calculation are the borrowers who entered repayment on relevant loans during that cohort fiscal year or the prior two cohort fiscal years.

A Federal Stafford Loan or Direct Stafford/Ford Loan enters repayment under the requirements applicable to the type of loan. In most cases, they enter repayment after a six-month grace period that begins when the borrower separates (graduates or withdraws) from school or drops below half-time enrollment. The official repayment date is the first day following the end of the six-month grace period. Use of this date is dependent on the school providing timely notification of any change in a student's enrollment status to NSLDS or the data manager. If the school does not provide timely notification, the data manager will use the best information available to determine the repayment date. This date will be used for purposes of calculating the school's cohort default rate.

A Federal SLS loan enters repayment on the day after the borrower separates from school or drops below half-time enrollment, unless the borrower also has a Federal Stafford Loan that was obtained during the same period of continuous enrollment. In that event, the repayment date of the Federal SLS loan for cohort default rate purposes is the same as the repayment date for the Federal Stafford Loan; generally, this is the first day following the end of the six-month grace period.

Under these guidelines, which the Department implemented beginning with the FY 1993 cohort default rates, a Federal SLS loan that was reported as entering repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS loan that was reported in a cohort default rate prior to FY 1993 will not be reported in a later cohort default rate.

How does the Department determine which loans are placed in the numerator of the cohort default rate calculation?

Borrowers must be included in the denominator of the cohort default rate calculation in order to be included in the numerator of the cohort default rate calculation. A FFEL or Direct Loan borrower is included in the numerator if the borrower defaults or meets the "other specified conditions" defined previously in this chapter.

For cohort default rate purposes, a FFEL is considered to be in default only if the guaranty agency has paid a default claim to the lender holding the loan. The claim paid date, which is the date the guaranty agency reimburses the lender for the defaulted loan, is used to determine if the borrower will be placed in the numerator of the calculation. If the claim paid date falls within the cohort default period, the borrower is included in both the denominator and numerator of the cohort default rate calculation.

For cohort default rate purposes, a Direct Loan is considered to be in default after 360 days of delinquency (or after 270 days if the borrower's first day of delinquency was before October 7, 1998). If the default date falls within the cohort default period, the borrower will be included in both the denominator and the numerator of the cohort default rate calculation.

How do consolidation loans affect the numerator of the cohort default rate calculation?

Although Federal Consolidation Loans and Direct Consolidation Loans are not directly included in the cohort default rate calculation, a defaulted consolidation loan may cause a borrower to be included in the numerator of the cohort default rate calculation. This occurs if the consolidation loan defaults within the cohort default period that is applicable to the underlying loan(s).

For example, Elizabeth entered into repayment on several Federal Stafford Loans in January of the cohort fiscal year. Because Elizabeth entered into repayment in January, she will be included in the denominator of the cohort default rate calculation. After entering into repayment on the Federal Stafford Loans, Elizabeth elects to consolidate the loans into a Federal Consolidation Loan. Elizabeth fails to make payments on the Federal Consolidation Loan and the loan defaults in June of the following calendar year. Even though the underlying Federal Stafford Loan did not default, Elizabeth will be included in the numerator of the cohort default rate calculation because a claim was paid on the Federal Consolidation Loan during the cohort default period.

How does loan rehabilitation affect the numerator of the cohort default rate calculation?

Student loan rehabilitation is a method by which a borrower may resolve the status of defaulted loans. For a FFEL or Direct Loan to be eligible for rehabilitation* the borrower must make 12 consecutive on-time voluntary monthly payments. The loan is then rehabilitated and the borrower is no longer considered to be in default for cohort default rate purposes.

For cohort default rate calculation purposes, if the borrower rehabilitates the loan before the end of the cohort default period, the borrower is not included in the numerator because the borrower is no longer considered to be in default. If the borrower rehabilitates the loan after the end of the cohort default period, the borrower is considered in default and is included in the numerator.

*In accordance with sections 428 F(a) and 435(m)(2)(C) of the HEA and 34 CFR 682.405 (for FFELs) and with section 455(a)(1) of the HEA and 34 CFR 685.211(f) (for Direct Loans)

Are there any special circumstances that affect how a borrower will be included in the cohort default rate calculation?

The following tables outline some examples of special circumstances that affect the cohort default rate calculation. These special circumstances only affect the cohort default rate calculation if the school timely submits documentation of the special circumstance to the data manager. To use these tables, read down the left side column until you find an applicable situation, then read across to see how the cohort default rate calculation is affected.

Figure 2.1.2

Special Circumstances
Involving Schools

Figure 2.1.2 outlines special circumstances involving schools.

Situation	How it Affects the Denominator	How it Affects the Numerator
A borrower separates from the school that disbursed the loans but enrolls at that school or a different school before the end of the grace period.	The borrower is included in the cohort fiscal year when the borrower actually enters repayment. If the date a borrower enters repayment is delayed by the borrower re-enrolling in school, then the borrower's inclusion in a cohort default rate calculation will also be delayed.	The borrower is included if the borrower defaulted or met other specified conditions during the cohort default period.
A borrower obtained more than one loan to attend a school and the repayment dates for each of the loans fall into different cohort fiscal years.	The borrower is included in the cohort fiscal years when the borrower entered repayment. The borrower will appear in two different cohort default rate calculations for the same school if the borrower has two loans that enter repayment in different cohort fiscal years.	The borrower is included if the borrower defaulted or met other specified conditions during the relevant cohort default periods. The borrower will appear in different cohort default rate calculations for the same school if the borrower has multiple loans, enters repayment in separate cohort fiscal years, and defaults or meets other specified conditions during those cohort default periods.
A borrower takes out loans at more than one school.	The borrower is included in the cohort fiscal years when the borrower entered repayment for each school where the borrower obtained loans.	The borrower is included for the schools at which the defaulted loans were obtained if the borrower defaulted or met other specified conditions during those cohort default periods.
A school, its owner, its agent, contractor, employee, or another entity or individual associated with the school makes a payment on the borrower's loan in order to avoid default during the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the loan meets other specified conditions during the cohort default period.

Figure 2.1.3 outlines special circumstances involving repayment.

Figure 2.1.3

Special Circumstances
Involving Repayment

Situation	How it Affects the Denominator	How it Affects the Numerator
The borrower enters repayment and subsequently obtains a deferment or forbearance on the loan.	The borrower is included in the cohort fiscal year when the borrower entered repayment. Deferments or forbearances do not alter the date the borrower entered repayment.	The borrower is included if the borrower defaulted or met other specified conditions during the cohort default period.
A borrower consolidates one or more defaulted loans.	The borrower is included in the cohort fiscal years when the borrower entered repayment on the underlying loans (the loans that the borrower consolidated), not based on the date that the consolidation loan entered repayment.	Even though the borrower has regained eligibility for Title IV funds by consolidating, the borrower is still considered to be in default for the purpose of calculating the school's cohort default rate.
A borrower requested and was granted a revised repayment schedule that started before the date the borrower was originally scheduled to enter repayment.	The borrower is included in the cohort fiscal year when the early repayment schedule begins. The early repayment date becomes the repayment date.	The borrower is included if the borrower defaulted or met other specified conditions during the cohort default period.
A borrower paid the loan in full before the date the loan was scheduled to enter repayment.	The borrower is included in the cohort fiscal year that the borrower paid the loan in full. The paid-in-full date becomes the new repayment date.	The borrower is not included because the borrower did not default.
A borrower paid the loan in full after defaulting or meeting other specified conditions during the cohort default period but without rehabilitating the loan within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the loan was not successfully rehabilitated for cohort default rate purposes within the cohort default period.

Figure 2.1.4

Special Circumstances
Involving Loans That Were
Discharged, Canceled, or
Refunded

Figure 2.1.4 outlines special circumstances involving loans that were discharged, canceled, or refunded.

Situation	How it Affects the Denominator	How it Affects the Numerator
The borrower's loan was discharged due to death, bankruptcy, disability, or other type of loan discharge before the borrower entered repayment.	The borrower is included in the cohort fiscal year based on the date the loan was discharged. The date of discharge becomes the date of repayment.	The borrower is not included because the borrower did not default.
The borrower's loan was discharged due to death, bankruptcy, disability, or other type of loan discharge after the borrower enters repayment but before the end of the cohort default period and before the borrower defaults or meets other specified conditions.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower did not default.
The borrower enters repayment and defaults or meets other specified conditions during the cohort period. Subsequently, the loan is discharged due to death, bankruptcy, disability, or other type of loan discharge.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the borrower defaulted or met other specified conditions during the cohort default period.
A loan was fully refunded, or canceled, within 120 days of loan disbursement.	Canceled loans are not included in the cohort default rate calculation.	The borrower is not included because canceled loans are not included in the cohort default rate calculation.
A loan was partially refunded within 120 days of loan disbursement.	The borrower is included in the cohort fiscal year when the borrower entered repayment on the portion of the loan that was not refunded.	The borrower is included if the borrower defaulted or met other specified conditions during the cohort default period.

Figure 2.1.5 outlines special circumstances involving loans that were repurchased.

Figure 2.1.5

Special Circumstances
Involving Loans That
Were Repurchased

Situation	How it Affects the Denominator	How it Affects the Numerator
A lender repurchased a defaulted loan because the guaranty agency determined that the lender did not meet the insurance requirements and, as a result, the loan lost insurance and became an uninsured loan.	The borrower is not included because uninsured loans are not included in the cohort default rate calculation.	The borrower is not included because uninsured loans are not included in the cohort default rate calculation.
A lender immediately repurchased a loan because the lender incorrectly submitted the default claim to the guaranty agency and does not submit another default claim within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower is not in default.
A lender immediately repurchased a loan because the lender incorrectly submitted the default claim to the guaranty agency and later submits another default claim that is paid within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the subsequent default claim was paid within the cohort default period.
A lender made a courtesy repurchase of a defaulted loan because the borrower established a new repayment plan or for other reasons.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the original valid default claim was paid during the cohort default period.

Figure 2.1.6

Effects of Department
Actions on Cohort
Default Rate Calculation

What effects do Department actions have on the cohort default rate calculation?

Figure 2.1.6 shows the effects various Department actions have on the cohort default rate calculation as a result of an adjustment and/or appeal.

If the Department:	And the borrower has no other loans included in the cohort default rate calculation:	And the borrower has other loans that are not in default included in the cohort default rate calculation:	And the borrower has other loans that are in default included in the cohort default rate calculation:
Adds a defaulted loan	+D +N	+N	No effect. Regardless of circumstance, if the borrower has other loans in default, the borrower is already included in both the numerator and denominator.
Subtracts a defaulted loan	-D -N	-N	
Adds a non-defaulted loan	+D	No effect.	
Subtracts a non-defaulted loan	-D	No effect.	
Changes a defaulted loan to a non-defaulted loan	-N	-N	
Changes a non-defaulted loan to a defaulted loan	+N	+N	
Legend:	+D Increase Denominator by one. -D Decrease Denominator by one.		+N Increase Numerator by one. -N Decrease Numerator by one.